

107TH CONGRESS
1ST SESSION

H. R. 3530

To amend the Internal Revenue Code of 1986 to clarify that certain settlement funds established under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 are beneficially owned by the United States and are not subject to tax.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 19, 2001

Mr. HOUGHTON (for himself, Mr. BECERRA, Mr. BOEHLERT, and Mr. COYNE) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to clarify that certain settlement funds established under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 are beneficially owned by the United States and are not subject to tax.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CLARIFICATION OF TAXATION OF CERTAIN**
4 **SETTLEMENT FUNDS.**

5 Subsection (g) of section 468B of the Internal Rev-
6 enue Code of 1986 is amended to read as follows:

1 “(g) CLARIFICATION OF TAXATION OF CERTAIN
2 FUNDS.—

3 “(1) IN GENERAL.—Except as provided in para-
4 graph (2), nothing in any provision of law shall be
5 construed as providing that an escrow account, set-
6 tlement fund, or similar fund is not subject to cur-
7 rent income tax. The Secretary shall prescribe regu-
8 lations providing for the taxation of any such ac-
9 count or fund whether as a grantor trust or other-
10 wise.

11 “(2) EXEMPTION FROM TAX FOR CERTAIN SET-
12 TLEMENT FUNDS.—An escrow account, settlement
13 fund, or similar fund shall be treated as beneficially
14 owned by the United States and shall be exempt
15 from taxation under this subtitle if—

16 “(A) it is established pursuant to a con-
17 sent decree entered by a judge of a United
18 States District Court,

19 “(B) it is created for the receipt of settle-
20 ment payments as directed by a government en-
21 tity for the sole purpose of resolving or satis-
22 fying one or more claims asserting liability
23 under the Comprehensive Environmental Re-
24 sponse, Compensation, and Liability Act of
25 1980,

1 “(C) the authority and control over the ex-
2 penditure of funds therein (including the ex-
3 penditure of contributions thereto and any net
4 earnings thereon) is with such government enti-
5 ty, and

6 “(D) upon termination, any remaining
7 funds will be disbursed upon instructions by
8 such government entity in accordance with ap-
9 plicable law.

10 For purposes of this paragraph, the term ‘govern-
11 ment entity’ means the United States, any State or
12 political subdivision thereof, the District of Colum-
13 bia, any possession of the United States, and any
14 agency or instrumentality of any of the foregoing.”.

15 **SEC. 2. EFFECTIVE DATE.**

16 The amendment made by this Act shall apply as if
17 included in the provision of the Tax Reform Act of 1986
18 to which it relates.

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